Willroy Mines Limited

Annual Report

For the year ended December 31, 1973

Willroy Mines Limited

Willroy Mines Limited

OFFICERS

P. A. ALLEN	President
R. C. STANLEY, JR.	Vice-President
I. T. H. HAMILTON	Secretary
D. M. GIACHINO	Vice-President-Mining

DIRECTORS

J. C. L. ALLEN
P. A. ALLEN
I. T. H. HAMILTON
R. C. STANLEY, JR.
D. C. WEBSTER

MANAGERS

PAUL THOMPSON — Manitouwadge Division
J. H. BOTSFORD — Macassa Division
A. G. WILSON — Milton Limestone Aggregates

TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY
Toronto, Ontario

AUDITORS

THORNE GUNN & CO.
Toronto, Ontario

EXECUTIVE OFFICE

Suite 1900, 101 Richmond Street West, Toronto, Ontario

Willroy Mines Limited

PRESIDENT'S REPORT

To the Shareholders:

Net income for the year was $2,708,089 or 36¢ a share, almost double the 1972 figure of $1,455,065 or 20¢ a share. Cash flow from operations, including $450,000 from investments, increased to $4,081,000 or 55¢ a share as compared with 34¢ a share in 1972. As a result of this improvement, working capital appreciated by $3,307,000 to $13,693,000. The increased earnings are directly due to substantially higher prices of copper, zinc, silver and gold.

Manitouwadge Division

The concentrator processed 430,486 tons of ore, an average of 1,179 tons per day, grading 0.98% copper, 2.74% zinc and 1.42 ounces of silver per ton. This compares with 431,067 tons in 1972 grading 1.10% copper, 3.27% zinc and 1.41 ounces of silver per ton.

The total metal production (including lesser values for contained cadmium, gold, lead and bismuth) yielded a Net Smelter Return of $7,685,505 or $17.85 per ton compared to $5,694,787 or $13.21 per ton in 1972.

The intensive surface and underground exploration program that had been in progress over the past three years has now been curtailed. The surface portion did not disclose any new ore sources but the underground portion developed sufficient new ore to maintain ore reserves until mid 1973. At year end, ore reserves stood at 715,835 tons grading 0.34% copper, 3.98% zinc and 1.38 ounces of silver per ton which compares with 936,000 tons grading 0.78% copper, 3.95% zinc and 1.71 ounces of silver per ton in 1972. The drop in ore reserves of 222,165 tons is approximately equal to half of the total tonnage milled during 1973.

Effective October 1, 1973, a new three-year contract was signed with Noranda Mines Limited for the treatment of our copper concentrates at the Noranda smelter at Noranda, Quebec with pricing to be 20% North American and 80% European.

Effective January 1, 1974, a new three-year contract was signed with Noranda Sales Corporation Ltd. for our lead and zinc concentrate production. The lead concentrates will continue to be shipped to the Cominco smelter at Trail, B.C. The zinc concentrates which had been shipped to Europe now are shipped by rail to the U.S. for treatment.

Willroy Mines Limited

Macassa Division

The highlights of this gold mining operation, continuing under the management of Upper Canada Resources Limited, are as follows:

	1973	1972
Tons of ore milled	98,976	98,425
Per day	271	270
Average grade of ore (ounces gold per ton)	0.537	0.732
Recovery	95.01%	94.68%
Ounces produced: Gold	50,529	68,213
Silver	9,227	10,597
Gross Revenue (gold and silver)	$4,830,006	$3,824,322
Average price per troy ounce received:		
for gold	$95.59	$55.90
for silver	$ 2.51	$ 1.67

The substantial increase in the price received for gold has enabled lower grade sections to be mined while more than maintaining profits. Development during the year was concentrated on the Tegren lease from the 5,400 to 6,300 foot levels. A total of 1,218 feet of ore grading 0.51 ounces of gold per ton over a width of 6.5 feet was developed, compared with a total of 1,114 feet averaging 0.62 ounces of gold per ton over a width of 7.0 feet developed in 1972.

Total ore reserves are estimated at 248,410 tons grading 0.5684 ounces of gold per ton at the end of 1973 compared with 242,010 grading 0.59 ounces of gold per ton at the end of 1972. With less than half of the potential ore-bearing ground on the Tegren lease having been explored to date, the management believes that planned development will continue to open up new ore. The management also expects that the higher price being received for gold will permit the development of lower grade zones on the main Macassa property that were previously considered uneconomic. In addition, the higher wages that the Company is paying its employees as a result of the gold bonus have begun to attract more skilled miners and it is hoped that the milling rate can be gradually increased.

Milton Limestone Aggregates Division

(Formerly Milton Quarries)

Construction of the new relocated plant was completed and production commenced in June, 1973. The plant is now situated in a less obtrusive location on the quarry floor and the move has resulted in improved efficiency and profitability. Comparing the seven months of operations ending December 31, 1973 with the corresponding period of 1972, production increased 16%, sales volume was maintained and income from net sales rose by 7%.

Higher depreciation charges, fixed overhead costs during the non-productive months and delays caused by modifications after commencement of operations resulted in higher unit production costs and a reduction in net profit compared to 1972.

Capital expenditures in the Division for the year 1973 amounted to $837,000. Rehabilitation continued on the property during 1973 and significant expenditures will continue to be made each year to preserve the environment of the Niagara Escarpment.

Norlartic Properties

The Company reports that Camflo Mines Limited has not yet extended its workings on to this property but that Camflo has indicated it will do so in 1974.

Exploration

Willroy contributed its 20% participation in Long Lac Mineral Exploration Limited, the report of which is included.

The President and the Board of Directors wish to express their appreciation for the excellent work accomplished by Mr. H. E. Rutetzki, Manager of the Manitouwadge Division, Mr. J. H. Botsford, Manager of the Macassa Division, Mr. A. G. Wilson, Manager of the Milton Limestone Aggregates Division and by all the Staff and Employees whose competence and enthusiasm contributed to the continued progress of the Company during the year.

On March 1, 1974, Mr. H. E. Rutetzki was appointed Manager of East Malartic Mines Limited and Mr. Paul Thomson, formerly the General Mine Superintendent of the Manitouwadge Division, was promoted to take Mr. Rutetzki's place.

It is with deep regret that the Board of Directors report the death of Mr. Peter Hanley on March 26, 1974.

Respectfully submitted,
On behalf of the Board,
Peter A. Allen,
President.

April 8, 1974,
Toronto, Ontario.

Willroy Mines

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BALANCE SHEET

(with comparative fi

ASSETS

	1973	1972
Current Assets		
Cash and short term deposits (note 5 (a))	$ 2,696,090	$ 3,933,850
Receivable from broker on security transactions		567,127
Bullion, settlements receivable and concentrates in transit, at estimated realizable value (note 1)	3,765,957	2,835,362
Marketable securities, at cost less allowance for decline in market value 1973, $880,000; 1972, $310,000 (quoted market value 1973, $7,747,000; 1972, $3,710,000)	7,774,303	3,573,945
Accounts, accrued interest and other receivables	571,179	548,698
Supplies and other assets, at cost	848,083	696,387
	15,655,612	12,155,369
Other Investments (note 2)	734,437	952,656
Fixed Assets, at cost		
Mineral and other properties (note 3)	2,275,070	2,277,030
Plant and equipment	14,525,006	13,033,249
Plant and equipment under construction		1,215,624
	16,800,076	16,525,903
Less accumulated depreciation and depletion	11,451,363	11,688,997
	5,348,713	4,836,906
Other Assets		
Preproduction, exploration and development expenditures deferred, less amortization	520,835	1,047,062
Other items	29,995	355,502
	550,830	1,402,564
	$22,289,592	$19,347,495

Approved by the Board

P. A. ALLEN, Director.

D. C. WEBSTER, Director.

AUDIT

To the Shareholders of
Willroy Mines Limited

We have examined the balance sheet of Willroy Mines Limited as at December 31, 1973 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada
January 25, 1974
(March 12, 1974 as to note 5 (a))

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ECEMBER 31, 1973

t December 31, 1972)

LIABILITIES

Current Liabilities	1973	1972
Accounts payable and accrued liabilities	$ 1,247,522	$ 1,493,221
Mining taxes payable	489,889	93,000
Payments received on purchase of dwellings under agreements of sale	225,203	182,885
	1,962,614	1,769,106

SHAREHOLDERS' EQUITY

	1973	1972
Capital Stock (note 4)		
Authorized — 10,000,000 shares without par value		
Issued — 7,432,892 shares (1972, 7,378,892 shares)	6,715,555	6,675,055
Contributed Surplus	847,832	847,832
Retained Earnings	12,763,591	10,055,502
	20,326,978	17,578,389
	$22,289,592	$19,347,495

Contingent liabilities (note 5)

REPORT

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Gunn & Co.
Chartered Accountants

Willroy Mines Limited

STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1973

(with comparative figures for 1972)

	1973	1972
Production revenue	$14,588,976	$12,252,324
Operating expenses		
Production expenses	9,070,377	8,283,479
Marketing expenses	1,041,799	1,355,047
Administrative and corporate expenses	339,563	428,394
Ontario mining tax	507,000	90,382
	10,958,739	10,157,302
Operating profit before the undernoted items	3,630,237	2,095,022
Depreciation and depletion	501,723	590,413
Amortization of deferred expenditures	640,209	587,475
Outside exploration	26,829	67,825
	1,168,761	1,245,713
Income before the undernoted items	2,461,476	849,309
Other income		
Investment income	444,825	340,504
Sundry	6,016	75,361
	450,841	415,865
	2,912,317	1,265,174
Income taxes recoverable		(51,937)
Income before extraordinary items	2,912,317	1,317,111
Extraordinary items		
Gain on sale of securities	556,714	137,954
Provision for decline in market value of marketable securities	(570,000)	
Write down of shares and bonds in associated company	(223,035)	
Recovery of expenses of previous years	32,093	
	(204,228)	137,954
Net income for the year (note 6)	2,708,089	1,455,065
Retained earnings at beginning of year	10,055,502	8,600,437
Retained earnings at end of year	$12,763,591	$10,055,502
Earnings per share		
Income before extraordinary items	39¢	18¢
Net income for the year	36¢	20¢

Willroy Mines Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1973
(with comparative figures for 1972)

	1973	1972
Source of funds		
Income before extraordinary items	$ 2,912,317	$ 1,317,111
Depreciation, depletion, amortization and other items not involving current funds	1,142,175	1,196,992
	4,054,492	2,514,103
Gain on sale of marketable securities	529,607	221,579
Proceeds on sale of shares in other companies	96,755	431,742
Issue of capital stock	40,500	46,600
Advances from other companies		8,300
Proceeds on sale of fixed assets	44,534	
Recovery of expenses of previous years	32,093	
Other items, net	83,583	
	4,881,564	3,222,324
Application of funds		
Investment in other companies	74,466	316,341
Purchase of fixed assets	930,363	1,438,872
Allowance for decline in market value of marketable securities	570,000	
Other items, net		67,169
	1,574,829	1,822,382
Increase in working capital	3,306,735	1,399,942
Working capital at beginning of year	10,386,263	8,986,321
Working capital at end of year	$13,692,998	$10,386,263

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1973

1. BULLION, SETTLEMENTS RECEIVABLE AND CONCENTRATES IN TRANSIT

At December 31, 1973 bullion has been valued at the amount realized subsequent to the year end. Settlements receivable and concentrates in transit have been valued using the following per unit prices:

Copper	60¢-65¢ per pound
Zinc	28¢ per pound

2. OTHER INVESTMENTS

	1973	1972
Shares and debentures in assocated companies		
Listed, at cost (quoted market value 1973; $153,450; 1972, $120,900)	$131,661	$127,016
Other, at cost less amounts written off	25,002	248,037
Other shares, at cost less amounts written off (including listed securities having a quoted market value, 1973, $208,500; 1972, $380,200)	577,772	577,601
Advances to associated and other companies, at nominal value	2	2
	$734,437	$952,656

3. MINERAL AND OTHER PROPERTIES

In 1973, the company leased certain mining claims in Limerick Township, Ontario to another company. The other company incurred expenditures on the property in 1973 and may elect to spend a further $1,000,000 in 1974. In the event that a commercial ore body is discovered and ore produced therefrom then Willroy is to receive $1 per ton of ore removed and commencing in 1975 a minimum royalty of $100,000 per year. After $1,000,000 has been paid in royalties, the minimum royalty clause no longer applies and the property is to be transferred to the other company. If the other company fails to spend the amounts set out above in 1974, all interest in the claims reverts back to Willroy.

4. CAPITAL STOCK

During the year ended December 31, 1973 the company issued 54,000 shares of its capital stock under an employees' stock option plan for a cash consideration of $40,500.

Incentive stock options are outstanding at December 31, 1973 on 296,000 shares of the company's capital stock exercisable at various dates to March 1976 at prices of $1.05, $1.07 and $1.10 per share.

5. CONTINGENT LIABILITIES

(a) In 1973 the company received federal income tax re-assessments, for the years 1969 and 1970 in the amount of $643,822 including interest. The company does not agree with these re-assessments and accordingly has filed notices of objection with respect thereto. Certain short term deposits have been assigned to the tax authorities as security for the amounts owing on the re-assessments pending settlement of the

notices of objection. No provision has been made in the accounts for any liability that may result therefrom.

In March 1974, the company received subsequent re-assessments reducing the above amount to $236,017 including interest. The company intends to appeal the subsequent re-assessments.

(b) An action by Milton Brick Co. Limited has been heard in the Supreme Court of Ontario essentially for possession of certain lands leased by it to Milton Quarries Limited (now the Milton Limestone Aggregates Division of the Company) and for a declaration that certain royalties and damages are due to it by Milton Quarries. The amount claimed was not specified. Milton Quarries did not admit any liability in this matter and claimed that royalties had in fact been prepaid for any stone removed. The decision of the Court is pending.

6. INCOME TAXES

No provision has been made for income taxes as the company intends to claim capital cost allowance for tax purposes in excess of depreciation recorded in the books. For 1974 and future years capital cost allowance remaining to be claimed exceeds the net book value of the related fixed assets by approximately $2,600,000.

7. MANAGEMENT AGREEMENT

Under an agreement dated October 19, 1970 Macassa Gold Mines Limited (now the Macassa Division of the company) granted to Upper Canada Mines Limited sole and exclusive management of the Macassa mine. The agreement shall terminate December 31, 1980, however Upper Canada shall have the right to terminate at any time on one month's written notice.

Under the terms of the agreement (a) Upper Canada shall pay the company an amount equal to any excess of operating costs less revenues from November 1, 1970 as defined in the agreement and (b) the company is to pay a management fee equal to one-half the revenues less operating costs from November 1, 1970 provided that any payments made by Upper Canada under (a) shall be a first charge on the excess of revenues less operating costs in any subsequent periods until Upper Canada has been reimbursed in full.

8. SUBSEQUENT EVENT

Subsequent to December 31, 1973 the company granted to another mining company the right to do exploration and development work on its mining claims in the Renabie area. The other company agrees to spend $200,000 on the property before July 15, 1974 and it will then have the right to elect on or before December 31, 1974 to bring the property into commercial production. If it so elects, the cash generated from production will be applied against production costs and repayment of costs of bringing the property into production. After the repayment of these expenditures, Willroy will get 50% of the cash flow as defined in the agreement.

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The remuneration for the year of directors and senior officers as defined by The Business Corporations Act was as follows:

	1973	1972
Directors and officers	$ 45,500	$ 95,333
Mine employees	98,275	68,655
	$143,775	$163,988

Willroy Mines Limited

LONG LAC MINERAL EXPLORATION LIMITED
1973 REPORT

Late in 1973, Lac Minerals optioned the former Golden Sunbeam Mine in central Idaho, U.S.A. The potential for a large-tonnage, low-grade, gold-silver operation exists on this property. Preliminary assay and metallurgical results have been favourable; however, a considerable amount of work will be required to evaluate this prospect.

An agreement has been entered into directed towards a large-scale reconnaissance prospecting-exploration search for minerals in northern Canada. This project will cover a three-year period and will employ the most recent techniques and theories in mineral exploration. In addition, a study will be conducted as to the applied use of the new Earth Satellite Remote Sensing devices in mineral exploration.

In addition to the reported exploration expenditures, a purchase of 200,000 shares of Taurus Oil Ltd. was made for $200,000, with an option to purchase a further 200,000 shares at $1.50 per share. Taurus is a new company formed in 1973 by Mr. John Downing, the President and Founder of the former Polaris Oil Ltd. Taurus is active in the search for oil and/or gas deposits in four countries, with principal exploration activities centred in Canada and the United States. The sale of Lac Minerals interest in the predecessor company Polaris Oils Ltd. resulted in a net profit of $135,000.

Follow-up geological and geophysical work along with diamond drilling was conducted on a large parcel of land in Newfoundland. Results proved to be sub-economic and no further work is contemplated at this time.

A property including the former Darkwater gold mine was optioned, and eight contiguous claims staked, four miles west of the Mattabi Mines in the Sturgeon Lake volcanic belt. A limited amount of drilling was conducted on the property in the fall of 1973, and further work to evaluate both the base metal and gold potential is planned during 1974.

Two coal properties, Moose Mountain and Brule Lake, in which Lac Minerals has an interest, were drilled by the Granby Mining Company. Some encouragement was obtained in the Brule Lake drilling, and further drilling will be conducted in 1974.

Exploration expenditures for the year were $150,000, excluding the Taurus Oil purchase.

In the summer of 1973, Lac Minerals' Western Division was established in Vancouver under the direction of Mr. V. F. Erickson, B.A.Sc., M.B.A.

Lac Minerals exploration costs are shared by the following companies: Lake Shore Mines, Limited, 25%; Little Long Lac Mines Limited and Willroy Mines Limited, 20% each; Malartic Gold Fields (Quebec) Limited, Wright-Hargreaves Mines, Limited and East Malartic Mines Limited, 10% each; and Lundor Mines Limited, 5%.

Dennis Sheehan
Exploration Manager

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